

# A comparison of 26 High Performance Organization (HPO) studies

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## **Introduction**

While studying to become a Register Controller at the Erasmus University of Rotterdam, I evaluated 26 studies of high performance organizations for a report. The goal of this evaluation was to identify 'robust' studies that I could use for my practical research. This document describes the results of that evaluation.

In today's age of extreme competition and increasing demands, managers of modern organizations are expected to excel. The management of organizations is primarily interested in those factors that are important for achieving consistently good results. The studies examined as part of this evaluation focused on the decisive financial and non-financial parameters that allow an organization to perform better in the long term than fellow organizations. The studies were selected based on the following: (a) familiarity, i.e. the number of times the studies have been quoted in other publications and (b) their level of practicality, i.e. a certain amount of practical research must be included. The 26 studies chosen (see reference list) were then evaluated based on seven criteria. The four studies that scored highest were examined in more detail, after which a final selection was made of one of the studies.

## **The first evaluation**

The set-up and execution of the various studies varied considerably. Most researchers made a selection based on financial analyses of organizations that perform well or excellently in a certain sector, and then compared them to competitors that did not perform as well. This comparison was then used to determine distinguishing characteristics. However, if the initial selection was not made carefully due to the use of incorrect information or the wrong criteria, the validity of the rest of the study is questionable. That is why I applied the following selection criteria:

- *Representative*: Is the study representative? In other words, is the sampling used in the study sufficiently large?
- *Statistically sound*: Are the final conclusions in the publication sufficiently substantiated by statistical analyses?
- *Control group*: Were the findings tested with a relevant control group to determine whether the characteristics identified really did make the difference?
- *Period*: Was the study period sufficiently long enough to draw conclusions that are not affected by time?
- *Relevant*: Is the study broad enough that the conclusions are relevant to 'all' organizations (profit, non-profit and government)?
- *Applicable*: Are the findings applicable in practice? In other words, did they result in a set of decisive HPO characteristics? Is a diagnosis model available? And has an implementation method been described?
- *Universal*: Can the findings be applied universally? In other words, does the study have a global set-up and was the control group internationally representative?

The 26 studies are compared below based on the criteria.

Legend				
-		Insufficient	R	Representative
+		Sufficient	S	Statistically sound
++		Comprehensive	C	Control group
P				Period
Re				Relevant
A				Applicable
U				Universal
E				End score

Study	R	S	C	P	Re	A	U	E
Annunzio (2004)	+	-	-	+	-	-	-	-
Bacon (2003)	-	-	-	-	-	-	-	-
Berg (2004)	+	-	-	+	-	-	-	-
Bilanchich (2002)	-	-	-	-	-	-	-	-
Butteriss (1998)	-	-	-	+	-	-	-	-
Cheyfitz (2003)	-	-	-	+	+	-	-	-
Collins (2001)	+	+	-	+	+	+	-	+
Foster (2001)	-	-	-	+	+	-	-	-
Goldsmith (1997)	+	-	-	+	-	-	-	-
Haeckel (1999)	-	-	-	-	-	-	-	-
Hammer (2001)	+	-	-	+	-	-	-	-
Hodgetts (2005)	-	-	-	-	-	-	-	-
Holbeche (2005)	+	-	-	+	+	-	-	+-
Heller (1997)	-	-	-	-	-	-	-	-
Kirkman (1999)	+	-	-	+	-	-	-	-
Lawler (1998)	-	-	-	-	-	-	-	-
Light (2005)	+	-	-	+	+	-	-	+-
Mische (2001)	+	-	-	+	-	-	-	-
O'Reilly (2000)	+	-	-	+	-	-	-	-
Osborne (2002)	-	-	-	-	-	-	-	-
Sull (2003)	+	-	-	-	-	-	+	-
Volberda (1998)	+	-	-	+	-	-	-	-
Waal (2008)	++	+	++	++	++	++	++	++
Weick (2001)	-	-	-	+	-	-	-	-
Weiss (2000)	-	-	-	+	-	-	-	-
Wiersma (2001)	+	-	-	+	-	-	-	-

## **The second evaluation**

The first selection resulted in four studies that were then examined in more detail. These studies are described briefly below, followed by the final evaluation.

### *Collins - Good to great*

Collins' book is the result of a five-year study into the underlying variables that cause the transformation from 'good to great'. In the study, a limited number of organizations are followed (11 of the initial 1435 companies involved in the study, all of which were Fortune 500 companies at some point), who made this switch and maintained the same results for at least fifteen years. Collins compared the remaining organizations to a limited number of comparable companies in order to identify the distinctive factors. The 11 companies all showed a clear transition point from 'good' to 'great'. This transition had to be organization-related and not industry-related for purposes of the study. In a nutshell, Collins' book deals with the underlying factors of sustainable success that distinguish organizations from the rest. The following is a brief overview of the most important success factors that he identified.

- Factor 1: Level 5 leadership. According to Collins, the highest attainable level of leadership. This concerns leaders that combine a number of unique character traits. In most cases, it turns out that the most successful companies are led by modest, calm and somewhat reserved people. However, they have strong ambitions, primarily with regard to the organization.
- Factor 2: The right people. Even more important than strategy is to attract and retain the right people and to get rid of those who are inadequate.
- Factor 3: Facing the hard facts, but having faith in success. Be aware of possible threats and deal with them.
- Factor 4: Answering the three defining questions: What can we do best? What motivates us most? And what is essential for our economic continuity? This insight is decisive for all decision made by an organization.
- Factor 5: Company discipline. Bureaucracy and hierarchy exist to compensate for incompetence and a lack of discipline. This is actually an extra argument for having the right people. People with a good sense of responsibility and people who can deal with the freedom offered are prerequisites for the necessary creative entrepreneurship within organizations.
- Factor 6: Technological accelerators. Advanced technology has often proven to yield a competitive advantage. But Collins believes that an organization can only excel on the basis of technology if it is truly relevant for the business.
- Factor 7: Perseverance and working on continuous and steady development. To develop from 'good' to 'great' requires patience and perseverance. The successful companies discussed in the book indicate that their development is evolutionary and not revolutionary. Changes are implemented step by step, while new insights gradually accumulate for further improvements. The organizations focused primarily on their business processes. They were aware that they needed to deal with matters in a fundamentally 'different' way.

### *Holbeche - The High Performance Organization*

Holbeche's book is based on the 'high performance organization' model by Roffey Park. This model balances worker needs and expectations with organizational needs. The model is based on various research projects conducted by Roffey since 1996 into the changing work environment. The model focuses on matters that affect the attitudes and behavior of employees, the degree to which they are involved and put their best foot forward. The study also focuses on how organizations and their

employees must function to an increasing degree in order to be successful in today's changing world. The study uses various other studies, literature and data from the consultancy field. The literature and practical cases are used to support the findings of the model. Holbeche's most important research conclusion is that the creation of sustainable high performance is primarily a matter of building the right culture. The most important factors of the model are:

- Developing the ability of the organization to change (flexibility, speed and ability to learn).
- Creating a knowledge-rich context for innovation (or how to simulate your business breakthrough and continuous improvement).
- Creating an organization without limitations (maximizing potential synergies).
- Encouraging people to attain sustainable levels of high performance (urging people to 'voluntarily' get the best out of themselves).
- Becoming a 'great place to work' (ensuring the necessary employee value).
- Becoming a value-based organization (connecting with employees on deeper-lying levels).

The underlying characteristics of the model are:

- Appropriate management and leadership
- Built-in flexibility
- Optimal employee value
- Empowerment and accountability

The book does not provide a diagnosis model or impetus to implement improvement activities; rather, it describes the numerous factors that can contribute to excellent performance, but does not provide insight into the degree to which these factors can be decisive in achieving this. It also does not test the findings in a relevant control group and only limitedly examines the interrelationship between the factors and their degree of applicability within different types of organizations.

#### Light - The four pillars of high performance

Light's book is based primarily on research conducted by the RAND (Research AND Development) Corporation. The RAND Corporation is a former military think tank that has carried out hundreds of studies since the Second World War into the human dimension of organizational life. It has also carried out considerable research into characteristics that can lead to achieving sustainable outperformance. According to Light, there are a number of simple, research-based points of departure for ensuring that an organization can survive and thrive in an uncertain world. One such organization is called a 'robust organization'. This type of organization formulates the best plans for a range of possible future scenarios in order to be able to respond to all relevant developments and, as a result, helps shape the future according to its own needs. The theory of the robust organization is based on numerous studies and research conducted by the RAND Corporation at large numbers of organizations. Their statistical insights form the basis for the following vision on what it takes to achieve long-term high performance.

The studies carried out by the RAND Corporation are also designed to use statistical tests to arrive at those factors that determine high performance within organizations. Light submitted these factors to the 126 RAND researchers involved. First, they examined which factors are strongly related to performance (29 factors). Second, they examined the degree to which these factors appear to be of predictive value for high performance compared to the other factors.

The result was 13 factors that appear to have predictive value to a significant degree. After being compared, the following 7 factors turned out to have the strongest predictive value:

*Strategy*: (1) fine-tuning the mission and (2) measuring results

*Internal structure*: (3) delegating routine decisions and (4) investing in new ideas

*Leadership*: (5) promoting open communication

*Resources*: (6) increasing access to information

*Incentives*: (7) establishing clear-cut performance incentives

Through the years, RAND studies have yielded a set of central values that Light believes are decisive for excellent performance within organizations:

- *Alertness*: high-performing organizations remain alert by measuring results, evaluating successful activities or projects, and creating clear expectations with regard to the desired performance.
- *Agility*: they remain agile by authorizing employees with enough decision-making freedom, reducing barriers between departments, promoting participative management and open communication.
- *Adaptiveness*: they remain adaptive by conducting regular customer surveys, investing in new ideas and creating strong incentives for performance.
- *Alignment*: they stay aligned by providing sufficient information to the entire organization and ensuring adequate information technology.

Light's book did not contain any impetus to implement improvement activities.

#### *De Waal - Make a Top Organization out of Your Company*

To determine the characteristics of high performance, De Wall spent five years studying excellent organizations around the world. The goal was to provide the management of organizations with a focus on the most important aspects. Nearly 300 relevant international studies into high performance were included, carried out over the past 25 years. The results were then tested using surveys among more than 3,000 profit, non-profit and government organizations. This entailed a comprehensive literature study of scientific and non-scientific studies into high performance. The criteria for which studies would be included were:

- The study must be specifically oriented towards finding HPO characteristics or achieving excellent results.
- The scope of the study must yield a relatively representative result for other organizations.
- The study report must describe and justify the research method, research approach and manner of selecting the study population, and provide a clear explanation of the results and conclusions. This was to determine the quality of the study.
- The studies must have taken place over a relevant period of time and be no older than 25 years; otherwise, the results could be out-of-date.

Studies that did not meet all criteria was also included if relevant for the further substantiation or further illustration of HPO characteristics. Depending on the degree to which a characteristic was mentioned in the studies, the characteristic, including extent, was included in the final list of 89 characteristics. These 89 characteristics formed the basis for questionnaires distributed during workshops and lectures. With the aid of statistical analysis, characteristics were determined that exhibit a correlation with the performance of the organizations. There appeared to be 35 of these.

Using a factor analysis, these characteristics were then clustered into five factors that exhibit a direct and strong correlation with competitive performance, and that therefore determine whether or not an organization is an HPO.

The objective was to give managers the knowledge and opportunity to implement targeted measures in order to allow their organization to grow in the high-performance direction. De Waal's HPO study shows that there is a direct and positive correlation between the five HPO factors and the organizational result. Organizations that devote special attention to these five factors score better than fellow organizations, depending on the particular sector or country. Nevertheless, the five factors are not a general recipe for all organizations. Take financial service providers, for example. In this type of organization, high-quality management is top priority, followed by long-term orientation, continuous improvement and innovation and, finally, high-quality employees. The study also showed that certain factors that receive considerable attention in the literature and practice do not appear to have a direct correlation to the results of an HPO. This includes organizational structure, strategy, employee independence, ICT and copycat behavior resulting from benchmarking.

The HPO concept can be translated into a structural scheme tailored to the organization, i.e. the most important factors for that specific organization, their importance and their interrelationship. This provides management with a better focus. These insights can then be used to create an HPO roadmap for the organization for implementing and formulating specific improvement activities.

As stated above, the five most distinctive characteristics were determined for enabling an organization to be decisive and to excel in the long term:

1. **High-quality management:** managers of excellent organizations are honest, decisive, action-oriented, performance-oriented, effective, self-confident and have a strong leadership style. The emphasis lies on a strong relationships of trust with employees and on coaching and facilitating. Employees and managers hold each other responsible and the managers are decisive with it comes to 'non'-performers.
2. **High-quality employees:** employees assume responsibility and want to be held responsible, the total staff is diverse and complementary, employees are trained at increasing flexibility and resilience and want to be challenged to excel.
3. **Long-term orientation:** continuity in the long term always comes before short-term profit, orientation towards collaboration with other organizations, orientation towards good long-term relationships with all stakeholders, orientation towards customer interest, managers are committed in the long term to the organization and therefore often promoted from within.
4. **Continuous improvement and innovation:** the organization has a distinctive strategy, processes are continuously improved, simplified and coordinated, the more relevant and correct information is reported, and the core competencies and products are continuously updated and improved.
5. **Open and action-oriented:** management communicates often with employees, there is considerable focus on communication and knowledge sharing, the organization is open to change and performance-oriented.

In the study approach used by De Waal, it was not organizations that were selected but potential HPO characteristics. As many relevant scientific studies as possible were included in the extremely broad scope of the study. The control group was also selected randomly. The study, including the formation of the control group, had a global set-up, which included both the Western and Eastern world, and both developed and underdeveloped continents. De Wall's book also contains an implementation plan for improvement activities.

#### FINAL EVALUATION: DE WAAL'S STUDY THE MOST ROBUST

There is a clear difference in the research approach adopted by De Waal compared to the other researchers, who oriented their studies towards the secrets 'behind' high performance. These researchers used a financial analysis to make their selection between excellent and less highly performing organizations and used this as the point of departure for their comparison. This was then used to draw conclusions regarding distinctive characteristics. The question that must be asked is whether these conclusions are valid. Was the selection based on the right information, the right criteria and the right comparison method? And are the conclusions applicable to 'all' organizations, i.e. timeless and universal?

De Waal's study does not examine specific organizations, but potential HPO characteristics. I believe that the scope and statistical basis of the study guarantee that conclusions can be drawn regarding distinctive characteristics. The testing of the findings also took place randomly. Organizations that score highly on the five factors generally show better results than other organizations in their sector. The factors also appear to be strongly interconnected and to mutually strengthen one another. Organizations can use the five HPO characteristics and corresponding HPO diagnosis in a targeted manner to determine the IST and SOLL situation in their organization. Comparable organizations can also be compared based on the findings of the HPO studies. The results of the analyses and comparison to other organizations form the basis for an implementation plan of improvement activities. Based on the quantitative and qualitative comparisons, I decided to use the research conducted by **De Waal** for my report.

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